

Message Text

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FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS

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FOLLOWING REPEAT LONDON 4053 ACTION SECSTATE 1 APRIL.

QUOTE

C O N F I D E N T I A L

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E.O. 11652: N/A

TAGS: ETRD, UK, US

SUBJECT: FROZEN ORANGE CONCENTRATE

REF: LONDON 3863

1. WHEN CHANCELLOR OF EXCHEQUER HEALEY ANNOUNCED, IN BUDGET SPEECH (REFTEL), THAT VALUE ADDED TAX AT STANDARD RATE OF 10 PERCENT WOULD BE APPLIED FROM APRIL 1 TO THE OLD PURCHASE TAX CATEGORY OF FOOD AND CONFECTIONARY ITEMS, IT WAS IMMEDIATELY APPARENT THAT WE WERE AGAIN FACED WITH THE OLD PROBLEM OF UK TAX ON FROZEN ORANGE CONCENTRATE. FOLLOWING MORNING (MARCH 27) WE GOT IN TOUCH WITH HM CUSTOMS AND EXCISE AND VERIFIED THAT NEW TAX WOULD INDEED APPLY TO FROZEN ORANGE CONCENTRATE. (DEPARTMENT WILL RECALL THAT WHEN VAT

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WAS INTRODUCED, PURCHASE TAX WAS ABOLISHED. CONSERVATIVE

GOVERNMENT IN 1973 ZERO RATED FOR PURPOSES OF VAT THE CATEGORY OF ITEMS, THAT INCLUDES FROZEN ORANGE CONCENTRATES, WHICH HAD BEEN SUBJECT TO PURCHASE TAX AT 22 PERCENT.)

2. MARCH 28 WE SENT NOTE TO FOREIGN AND COMMONWEALTH OFFICE IN WHICH WE EMPHASIZED OUR VIEW THAT ORANGE JUICE IS A FOOD, NOT A CONFECTION, AND THEREFORE SHOULD NOT BE SUBJECTED TO VAT. WE ALSO POINTED OUT THAT TAX OF THIS KIND WOULD APPEAR TO BE AT VARIANCE WITH GOVERNMENT'S STATED POLICY IN FAVOR OF CHEAP FOOD. TEXT OF NOTE BEING TRANSMITTED SEPTEL.

3. IN MEETING WITH SIR MAX BROWN, SECRETARY, MINISTRY OF TRADE, MARCH 29, ECONCOMMIN RAISED MATTER OF YAT ON FROZEN ORANGE CONCENTRATE, EXPRESSED OUR CONCERN AT TAXATION ON THIS BASIC FOOD ITEM ANBZNOTED POTENTIAL ADVERSE EFFECTS ON US/UK TRADE.

4. WE HAVE BEEN IN CONTACT WITH BIRDSEYE UK, WHICH IS DISTRIBUTOR OF US FROZEN ORANGE CONCENTRATE, AND HAVE ENCOURAGED BIRDSEYEGO CAMPAIGN AGAINST THIS TAX. WE HAVE ALSO BEEN IN TOUCH WITH BEECHAM GROUP LTD., WHO ARE CONCERNED ABOUT THE EFFECT OF THIS TAX ON SURVS OF THE FRUIT LICES THEY MANUFACTURE AND WHO HAVE BEGUN ACTIVE LOBBYING AGAINST THIS PROVISION OF THE BUDGET.

5. BY COINCIDENCE, ROBERT SALTZSTEIN, WASHINGTON ATTORNEY WHO REPRESENTS FLORIDA CITRUS GROWERS, WAS TRANSITING LONDON MORNING MARCH 27. SALTZSTEIN DELAYED ONWARD TRAVEL TO ASSIST IN DEVELOPING STRATEGY AIMED AT REMOVING TAX. WITH HELP OF BIRDSEYE UK, SALTZSTEIN ENLISTED ASSISTANCE OF GEOFFREY PATTIE, NEW CONSERVATIVE MP REPRESENTING DISTRICT WHERE BIRDSEYE UK HEADQUARTERED, WHO HAS UNDERTAKEN TO SUPPORT CASE. MORNING MARCH 28 EMBASSY OFFICER ACCOMPANIED SALTZSTEIN IN CALL ON R. W. RADFORD, CHAIRMAN OF BOARD OF HM CUSTOMS AND EXCISE, IN ORDER EXPLORE MEANS OF SECURING EXEMPTION FROZEN ORANGE CONCENTRATE FROM VAT. LIMITED OFFICIAL USE

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6. IT IS UNLIKELY THAT THE NEW GOVERNMENT CAN BE PERSUADED TO EXEMPT ENTIRE TAX CATEGORY FROM 10 PER CENT VAT, AND OUR TACTIC, WITH WHICH SALTZSTEIN AGREES, IS TO SEEK TO HAVE FROZEN ORANGE CONCENTRATE AND ORANGE JUICE CLASSIFIED AS FOOD AND REMOVED FROM WHAT IS BASICALLY CONFECTIONARY TAX CLASSIFICATION. /WHILE OUR CHANCE OF SUCCESS IS QUESTIONABLE IN VIEW OF FACT THAT

ANNOUNCEMENT HAS ALREADY BEEN MADE BY CHANCELLOR IN
PARLIAMENT, WE WILL NEVERTHELESS PURSUE THE MATTER AT
VARIOUS LEVELS IN HMG. WE ARE AWARE OF DOMESTIC
INTERESTS THAT MAY BE GENERATED IN US IN THIS MATTER,
AND WE WILL ENSURE THAT EVERY REASONABLE EFFORT IS
MADE TO EXEMPT FROZEN ORANGE CONCENTRATE FROM THIS TAX.

7. ACTION SUGGESTED: WE SUGGEST DEPARTMENT EMPHASIZE
OUR CONCERN IN THIS MATTER WITH BRITISH EMBASSY,
WASHINGTON, IN PARTICULAR TO MINISTER OF COMMERCIAL
AFFAIRS CORTAZZI.
SOHM UNQUOTE KISSINGER

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